

The background of the entire page is a photograph of the South Carolina State Capitol building. The building is a grand, white, neoclassical structure with a prominent central dome topped with a smaller cupola. The dome is surrounded by a circular gallery with arched windows. Below the dome is a portico supported by several tall, white columns. In front of the building, there is a large set of steps leading up to the entrance. A statue of a man in a suit stands on a pedestal in the center of the steps. The building is flanked by large, leafy green trees. In the foreground, there is a well-maintained lawn with a large, colorful flower bed featuring purple and pink flowers. The sky is blue with some light clouds.

Feasibility Study  
Proviso 35.16  
Considerations for the Establishment of a State Veterans'  
Domiciliary Facility

FY2013-2014

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Prepared by Staff of the South Carolina Department of Mental Health

## Table of Contents

<b>EXECUTIVE SUMMARY</b> .....	3
<b>THE PROVISO</b> .....	4
<b>THE DOMICILIARY CARE PROGRAM</b> .....	4
<b>Supplemental Information from Senior Veterans Service Alliance</b>	
<b>EXAMPLE OF A DOMICILIARY</b> .....	4
<b>ON-SITE VISIT: CHARLIE NORWOOD VA MEDICAL CENTER</b> .....	6
<b>SPECIAL ELIGIBILITY RULES</b> .....	6
<b>Who May Qualify?</b>	
<b>Department of Veterans Affairs Eligibility</b>	
<b>FEDERAL GRANT PROGRAM</b> .....	7
<b>PROGRAM UTILIZATION</b> .....	9
<b>NEW CONSTRUCTION OF DOMICILIARIES</b> .....	10
<b>PAYMENT RATE INFORMATION</b> .....	10
<b>REGULATORY AND ACCREDITATION</b> .....	12
<b>POSSIBLE SITE LOCATIONS</b> .....	12
<b>C.M. Tucker, Jr., Nursing Care Center</b>	
<b>Richard M. Campbell Veterans Nursing Home</b>	
<b>Veterans Victory House</b>	
<b>An Undetermined Site</b>	
<b>An Assessment from SCDMH Physical Plant Services</b>	
<b>CONCLUSION</b> .....	14
<b>OTHER INFORMATION</b> .....	15
<b>FINAL NOTES</b> .....	15
<b>APPENDICES – AVAILABLE UPON REQUEST</b>	
<b>Appendix A – RFP VA Butler Domiciliary Facility</b>	
<b>Appendix B – Design Build Architect Engineer Scope of Work</b>	
<b>Appendix C – 1998 Committee Report</b>	
<b>Appendix D – South Carolina Homeless Point in Time Count 2013 Results</b>	

## Considerations for the Establishment of a State Veterans’ Domiciliary Facility

### EXECUTIVE SUMMARY

State Veterans’ Domiciliary Facilities are designed for Veterans who require rehabilitative care, but whose needs do not meet the criteria for skilled nursing, or nursing home care. The types of services needed by these Veterans are short-term interventions focused on a return to their home communities upon completion. This study describes the considerations of establishing a state-run Veterans’ Domiciliary Facility in South Carolina.

Facts about State Veterans’ Domiciliary Facilities discussed in this study include:

- Residents may participate in a full range of rehabilitation services including physical, behavioral, spiritual, psychosocial, addiction counseling, vocational, dietary, occupational therapy and intervention. Medical and mental health needs may be treated as well. (See page 5, column 1).
- The Federal funding ratio for construction of State Veterans’ Domiciliary Facilities is 65% Federal funding to 35% State funding. (See page 8, column 2).
- It was estimated in 1998 that the cost for construction of a 60-bed domiciliary would be \$5.9 million. (See page 8, column 2).
- Applying a CPI inflation factor to the purchasing power of \$5.9 million in 1998, the estimated cost for such a facility in 2013 would be \$8,451,985. (See page 8, column 2).
- It should also be noted that the original domiciliary was designed under the 1998 building codes and the foundation requirements under the current code are considerably more stringent. In particular, seismic and wind load designs have changed. Therefore, a 15% contingency should be added to the \$8.5 million inflation-adjusted cost of the original project. This would place the estimated current cost of the project at \$9.72 million. (See page 8, column 2).
- According to Title 38: Pensions, Bonuses, and Veterans’ Relief, Part 59 – Grants to States for Construction or Acquisition of State Homes, the State of South Carolina may have a maximum number of state home, nursing home and

domiciliary beds, based on 2020 projections, of 1,089. (See page 9, column 1).

- Based on a capacity of 1,089 beds as cited above, the State of South Carolina has 573 additional beds before it reaches the maximum threshold based on 2020 projections. (See page 9, column 2).
- Such calculations suppose an unmet need of 538 beds. (See page 9, column 2).
- Notwithstanding the information cited above related to the unmet need quantified in number of beds, observations of homelessness among Veterans, alone, support the need for domiciliary care. (See page 10, column 1).
- Any additional costs, including management fees associated with the operation of the facility by a private sector entity, would be the obligation of the State. (See page 10, column 2).
- Based on the three methods of determining the estimated expenses and estimated revenue offset related to the annual operations of a domiciliary facility, it is anticipated that said expense could range from \$1.4 million to \$2.0 million with an obligation of state appropriations ranging from \$700,000 to \$1.2 million. (See page 12, column 1).
- The proposed new construction could be finished in 12 to 15 months; however, this would not include design time of a minimum of 6 to 8 months and the application time require to meet the expectations of the VA. (See page 14, column 2).

The feasibility study concludes with identification of possible site locations. If the State of South Carolina pursues the establishment of a State Veterans’ domiciliary facility, it has the option to either retrofit an existing facility, or build a new facility.

While this study contains research to support the process of decision-making regarding whether to proceed with technical development and project implementation, it is not intended to be the project plan. The intent of this study is to present an evaluation and analysis of the potential of the proposed project to be successful. It includes the two principle criteria in

evaluating feasibility: estimating the cost of the project and determining the value of the project. Additional consultant services will be needed to develop the project plan.

### **THE PROVISO**

The Fiscal Year 2013-2014 General Appropriations Bill H. 3710 of 2013 which was enacted on August 1, 2013 by the General Assembly of the State of South Carolina contained in Part 1B Provisos, Section 35 Mental Health, Department of, the following directive.

35.16. (DMH: State Veterans Domiciliary Facility) The Department of Mental Health shall prepare a report evaluating the feasibility and desirability of the State furnishing domiciliary care to eligible veterans in State Veterans' Homes. Domiciliary care is the provision of shelter, sustenance, and incidental medical care on an ambulatory self-care basis to assist eligible veterans, disabled by age or illness to attain physical, mental, and social well-being through rehabilitative programs. This report must consider and discuss the feasibility of locating a facility in proximity to current State Veterans Nursing Homes, including but not limited to available space at the agency's C.M. Tucker Nursing Care Center in Columbia. The report must also consider and discuss opportunities for the private sector's role in operating such facilities. This report shall be provided to the Chairman of the Senate Finance Committee, the Chairman of the Senate Medical Affairs Committee, the Chairman of the House Ways and Means Committee, and the Chairman of the Medical, Military, Public, and Municipal Affairs Committee by January 10, 2014.

### **THE DOMICILIARY CARE PROGRAM**

The Domiciliary Care Program is the Department of Veterans Affairs (VA) oldest health care program. Established in the late 1860's, the Domiciliary's purpose was to provide a home for disabled volunteer soldiers of the Civil War. It was initially established to provide services to economically-disadvantaged Veterans, and it remains committed to serving that group. The Domiciliary has evolved from a "Soldiers' Home" to become an active clinical rehabilitation and treatment program for male and female Veterans and domiciliary programs are now integrated with the Mental Health Residential Rehabilitation and Treatment Programs (MH RRTPs).

The MH RRTPs are designed to provide state-of-the-art, high-quality residential rehabilitation and treatment services for Veterans with multiple and severe medical

conditions, mental illness, addiction, or psychosocial deficits. The MH RRTP identifies and addresses goals of rehabilitation, recovery, health maintenance, improved quality of life, and community integration in addition to specific treatment of medical conditions, mental illnesses, addictive disorders, and homelessness. The residential component emphasizes incorporation of clinical treatment gains into a lifestyle of self-care and personal responsibility. Treatment intensity, environmental structures, milieu, and type of supervision vary based on population served, and need to be relevant to the diversity of the population, e.g., age, ethnicity, and culture.

Residents participate in a full range of rehabilitation services including physical, behavioral, spiritual, psychosocial, addiction counseling, vocational, dietary, occupational therapy and intervention. Medical and mental health needs may be treated as well.

### **Supplemental Information from Senior Veterans Service Alliance**

Domiciliary care is a residential rehabilitation program that provides short-term rehabilitation and long-term health maintenance to veterans who require minimal medical care as they recover from medical, psychiatric or psychosocial impairments. Most domiciliary patients return to the community after a period of rehabilitation.

*“State homes may also offer assisted living or domiciliary care which is a form of supported independent living.”*

Domiciliary care is provided by the VA and state homes. The VA currently operates 43 facilities. State homes operate 49 domiciliaries in 33 states. The VA also provides a number of psychiatric residential rehabilitation programs, including ones for veterans coping with post-traumatic stress disorder and substance abuse, and compensated work therapy or transitional residences for homeless chronically mentally ill veterans and veterans recovering from substance abuse.

### **EXAMPLE OF A DOMICILIARY**

On October 25, 2012 VA Butler Healthcare in Butler, Pennsylvania held the official Ribbon Cutting Ceremony for its newly constructed Domiciliary.

VA Butler's 56-bed Domiciliary is a residential facility on VA Butler's main campus for eligible Veterans who may be dealing with issues such as homelessness,

mental health, substance abuse and unemployment. The Domiciliary provides a residential, rehabilitative, therapeutic community with a goal of successfully reintegrating Veterans back into the community.



VA Butler's new Domiciliary includes a total of five new buildings. The main treatment building includes group therapy rooms, a recreation center, computer room, dining hall, life skills training room and crafts room. The four remaining buildings are townhomes where Veterans reside. The new residential facility accommodates male and female Veterans as well as meets the needs of bariatric and disabled Veterans.



Residents participate in a full range of rehabilitation services including physical, behavioral, spiritual, psychosocial, addiction counseling, vocational, dietary, occupational therapy and intervention. Medical and mental health needs may be treated as well by various VA staff during a Veteran's stay.

The Domiciliary Residential Rehabilitation Treatment Program (DRRTP) works with various VA Butler Healthcare services including:

- Behavioral Healthcare
- Vocational Rehabilitation
- Outpatient Medical Care
- Psychosocial Residential Rehabilitation Treatment Program (PRRTP)
- Homeless Dental Initiative
- Veterans Justice Outreach (VJO)
- Intensive Outpatient Program (IOP) for Substance Abuse

Construction of the facility began in August 2010. It included two phases. Phase I would build the treatment center and two 12-person multi-story apartment buildings. Phase II would build two additional apartment-style buildings with 16 bedrooms each and therapeutic gardens. A dozen beds within the project would be dedicated to female veterans. It was anticipated that the entire project would be completed in 18 to 24 months at a cost of \$8.5 million, including funds from the Federal Government.



Appendix A – RFP VA Butler Domiciliary Facility and Appendix B – Design Build Architect Engineer Scope of Work are documents related to the Request for Proposal for the construction of the VA Butler Healthcare Domiciliary.

All townhomes are equipped with a full kitchen, washer and dryer, and modern furniture to offer a home-like environment. Veterans are responsible for the cleaning of their townhomes, purchasing groceries, cooking and laundry.



### ON-SITE VISIT: CHARLIE NORWOOD VA MEDICAL CENTER

Charlie Norwood VA Medical Center in Augusta, Georgia is a two-division medical center providing tertiary care in medicine, surgery, neurology, psychiatry, rehabilitation medicine, and spinal cord injury. The Downtown Division is authorized 155 beds (58 medicine, 37 surgery, and 60 spinal cord injury). The Uptown Division, located approximately three miles away, is authorized 123 beds (68 psychiatry, 15 blind rehabilitation and 40 rehabilitation medicine). In addition, a 132-bed Restorative/Nursing Home Care Unit and a 60-bed Domiciliary are located at the Uptown Division. The medical center serves as a network resource for the treatment of spinal cord injury, blind rehabilitation, post-traumatic stress disorder, and psychiatry patients.

On July 30, 2013, SCDMH staff visited this site to gather information specifically related to its domiciliary. Following are noteworthy details.

- It is a 60-bed facility located on the 2<sup>nd</sup> floor of the medical center.
- It has been operational for 5 years.
- Its current and average census is 56 (93%) with a goal of 51 (85%).
- It is a residential facility for males and females who have either mental health, substance abuse, PTSD, or homelessness issues.
- The maximum stay is 91 days, but veterans may be admitted for multiple stays.
- Rooms are either 2-bed or 4-bed units with a number of private rooms.
- Residents are not restricted as to ingress or egress.
- Residents range in age from 18-70.
- Medications are administered by medical staff – LPNs and Nurse Techs are on duty 24-hours with an RN on duty during the day.
- Veterans attend classes daily.
- Additional staff includes psychologists, social workers, and chaplains.
- Facility accepts the VA Basic State Home Per Diem Rate, but does not charge the Veteran.

### SPECIAL ELIGIBILITY RULES

Special eligibility rules apply to Domiciliary Residential Rehabilitation and Treatment (Domiciliary Care). The rules are located in the Code of Federal Regulations (CFR). The reference sections are: Title 38, CFR 17.46, 17.47, and 17.48. The following web address links to the Government Printing Office (Standard Site). The aforementioned sections are entitled Section 17.46 - Eligibility for hospital, domiciliary or nursing home care of persons discharged or released from active military, naval, or air service; Section 17.47 - Considerations applicable in determining eligibility for hospital, nursing home or domiciliary care; and Section 17.48 - Compensated Work Therapy/Transitional Residences program. The web address is provided hereafter: [http://www.access.gpo.gov/nara/cfr/waisidx\\_06/38cfr17\\_06.html](http://www.access.gpo.gov/nara/cfr/waisidx_06/38cfr17_06.html).

The following are general guidelines related to qualifying for a stay in a domiciliary facility.

### Who May Qualify?

One may qualify for domiciliary care if—

- One has a chronic disability or disease;
- One is homeless;

- One's annual income does not exceed the maximum annual income limit for VA pension payable a Veteran in need of regular aid and attendance; and,
- One has no adequate means of support.

#### *Admission Requirements*

To be considered for domiciliary care, one must also be able to—

- Take care of one's personal hygiene, such as
  - Brushing your teeth
  - Bathing
  - Combing your hair;
- Dress oneself, with a minimum of assistance;
- Get to and from the dining hall without help;
- Feed oneself;
- Walk or use a wheelchair if one needs medical attention;
- Use the bathroom on one's own, or by use of an appropriate prosthesis
- Help with the maintenance and operation of the facility;
- Make rational and competent decisions about whether to stay or leave the facility.

#### *Other Issues To Consider*

The following issues must be considered when evaluating one's ability to benefit from domiciliary care:

- One's interest in participating in a rehabilitation program designed around personal goals to improve the quality of one's life;
- The need to attain the knowledge and skills necessary to restore or achieve appropriate functional independence;
- The need for ongoing mental health, substance abuse, and/or medical treatment to enhance one's stability and well-being;
- One's willingness to participate in a supportive, therapeutic community, focused on recovery and empowerment;

- One's ability to accomplish the activities of daily living (ADL) with minimal assistance, which can include the use of a wheelchair or other assistive devices;
- One's ability to reside in a communal setting, without posing a risk or danger to yourself or others.

#### *Adequate Means of Support*

The term "no adequate means of support" means that a Veteran—

- Has an annual income but poor health makes it impossible to seek *substantially* gainful employment; AND
- Is unable to afford care within the community

#### **Department of Veterans Affairs Eligibility**

The VA describes applicant eligibility as follows.

Veterans who meet VA eligibility requirements for VA healthcare. Veterans of the various military services who were discharged for a disability or are in receipt of disability compensation and suffering from a permanent disability, have no adequate means of support, are incapacitated from earning a living and meet certain other requirements. Veterans with nonservice-connected disabilities that incapacitate them from earning a living, but which are not so severe as to require hospitalization, are also eligible if they are unable to defray the expense of domiciliary care and if they meet certain other requirements for care in a domiciliary. An income limitation criterion is applied to all applicants.

#### **FEDERAL GRANTS PROGRAM**

There exists under the Department of Veterans Affairs the Domiciliary Residential Rehabilitation and Treatment Program (CFDA No. 64.008) whose objective is to provide the least intensive level of inpatient care for ambulatory veterans disabled by age or illness who are not in need of more acute hospitalization and who do not need the skilled nursing services provided in nursing homes; and to rehabilitate the veteran in anticipation of his/her return to the community in a self-sustaining and independent or semi-independent living situation, or to assist the veteran to reach his/her optimal level of functioning in a

protective environment. This program is authorized by Public Laws 89-358, 94-581 and 100-322, Section 136, 38 U.S.C. 601 and 610; Executive Order 5398, July 21, 1930 and Title 38 U.S.C. 1710, 1746-1748.

VA and State Home Domiciliary care provides access to necessary medical care and physical, social and psychological support services in a therapeutic environment. It also includes a program to prepare veterans who have the potential to function more independently to return to community living.

There also exists under the Department of Veterans Affairs the Veterans State Domiciliary Care (CFDA No. 64.014) whose objective is to provide financial assistance to States furnishing domiciliary care to eligible veterans in State Veterans’ Homes which meet the standards prescribed by the Secretary of Veterans Affairs. This program is authorized by Act of August 27, 1888, as amended, Public Laws 66-126, 76-250, 78-202, 80-531, 81-823, 83-613, 86-625, 88-450, 90-432, 93-82, 64-417, 94-581, 96-151, 98-160, and 100-322, and U.S.C. 1741-1743.

The assistance provided is for domiciliary care: the provision of shelter, sustenance, and incidental medical care on an ambulatory self-care basis to assist eligible veterans, disabled by age or illness to attain physical, mental and social well-being through rehabilitative programs.

According to CFDA No. 64.014, the range of financial assistance is \$5,000 to \$3,600,000. The average financial assistance is \$427,000.

According to the Center for Effective Government, from FY2000-2012, the Veterans State Domiciliary Care program had obligated \$1,032,358,128 to 283 recipients. The top ten recipients were awarded from \$30,397,348 (State Veterans Hospital at Harrisburg, PA) to \$14,560,887 (State Veterans Hospital at Jackson, MS). The program averages total awards per year of approximately \$28 million; however, 2005 and 2006 had awards of \$392 million, and \$411 million, respectively, and 2007-2009 had no awards.

Title 38: Pensions, Bonuses, and Veterans’ Relief, Part 59 – Grants to States for Construction or Acquisition of State Homes governs the actual grant process for awarding funds for the construction of a state home under which the construction of a domiciliary would also be categorized. The most relevant section for

consideration here is Section 59.80 Amount of Grant: “The total cost of a project (VA and State) for which a grant is awarded under this part may not be less than \$400,000 and, except as provided in paragraph (i) of this section, the total cost of a project will not exceed the total cost of new construction. The amount of a grant awarded under this part will be the amount requested by the State and approved in accordance with this part, not to exceed 65 percent of the total cost of the project...”

Assuming a match of \$4.5 million from the State of South Carolina, such a ratio of 65% Federal funding to 35% State funding would provide a total of approximately \$12.86 million for the project.

According to Appendix C – 1998 Committee Report which was the product of deliberations by a subcommittee studying the possible bed capacity for an additional Veterans Nursing Home, there existed already in 1998 a need for a 60-bed domiciliary. It was estimated in 1998 that the cost for construction of a 60-bed domiciliary would be \$5.9 million.

Construction Costs	\$4,860,000
Furnish/Equipment	616,000
Professional Fees	400,000
Misc./Insurance/Etc.	<u>24,000</u>
Total Costs	\$5,900,000

These estimates were based on an agreed upon 600 square feet per bed.

Applying a CPI inflation factor to the purchasing power of \$5.9 million in 1998, the estimated cost for such a facility in 2013 would be \$8,451,985. One should note, however, that said construction at the time was based on factors that included the utilization of Veterans Victory House Physical Plant assets, which might not be available depending on the actual site location selected for the current construction consideration.

It should also be noted that the original domiciliary was designed under the 1998 building codes and the foundation requirements under the current code are considerably more stringent. In particular, seismic and wind load designs have changed. Therefore, a 15% contingency should be added to the \$8.5 million inflation-adjusted cost of the original project. This would place the estimated current cost of the project at \$9.72 million.

By comparison, House Bill 1599 (State Veterans Home) of the 1991 Session of the General Assembly of North Carolina authorized the appropriation of \$7.5 million to construct a 240-bed domiciliary and skilled nursing care State Veterans Home at a total construction cost of \$17 million. It was estimated that the costs to maintain and operate the State Veterans Home would be approximately \$7.0 million. These amounts were based on a consultant's report commissioned by the Veterans Home Study Commission.

House Bill 1186 of the 1993 Session of the General Assembly of North Carolina sought to fund the same project under a new consultant's report commissioned by the 1992 General Assembly and authorized the appropriation of \$6.23 million to construct a 240-bed domiciliary and skilled nursing care State Veterans Home at a total construction cost of \$16.5 million. It was estimated that the costs to maintain and operate the State Veterans Home would be approximately \$6.35 million.

The point of these comparisons is to demonstrate that construction costs and costs to maintain and operate such a facility are comparable across independent analyses and can be reasonably estimated.

### **PROGRAM UTILIZATION**

According to the Domiciliary Residential Rehabilitation and Treatment Program description (CFDA No. 64.008), in FY2007, 27,560 patients were provided care in this program with an average daily census of 8,246. In FY2008 and FY2009, respectively, it was estimated that 26,962 and 26,520 patients would be provided care with an average daily census of 8,157 and 8,072.

According to the Veterans State Domiciliary Care description (CFDA No. 64.014), in FY2007, the average daily census was 3,890. In FY2008 and FY2009, respectively, it was estimated that the average daily census would be 3,892 and 3,894.

According to Title 38: Pensions, Bonuses, and Veterans' Relief, Part 59 – Grants to States for Construction or Acquisition of State Homes, the State of South Carolina may have a maximum number of state home, nursing home and domiciliary beds, based on 2020 projections, of 1,089. This is a 339 bed increase over that projected by the VA for 2009.

SCDMH is the only entity in South Carolina operating State Homes: E. Roy Stone, Jr. Veterans Pavilion in

Columbia, Richard M. Campbell Veterans Nursing Home in Anderson, and Veterans Victory House in Walterboro. Together, these State Homes operate 516 beds. Based on a capacity of 1,089 beds as cited above, the State of South Carolina has 573 additional beds before it reaches the maximum threshold based on 2020 projections.

It is the obligation of the state to provide both proof of any unmet need in state home, nursing home, and domiciliary beds, and to confirm the current availability of said beds (bed count).

According to Appendix C – 1998 Committee Report there existed already in 1998 a need for a 60-bed domiciliary. The only reason that a domiciliary was not constructed during the construction of Veterans Victory House was due to a lack of sufficient funding.

Waiting lists as of December 2013 indicate that E. Roy Stone, Jr. Veterans Pavilion has 3 awaiting admission, Richard M. Campbell Veterans Nursing Home has 23 awaiting admission, and Veterans Victory House has 18 awaiting admission. The waiting lists do not, however, articulate the number of veterans who are being served in community nursing homes, by home health, by homemaker services, or in day cares, who might, if space was available, opt for a Veterans Nursing Home. This is the unknown demand.

It is possible, however, to identify an apparent demand. Maintaining the ratio set forth in the report of 2.5 nursing home beds per 1,000 veterans, the State of South Carolina should have 1,054 veterans' nursing home beds as of September 30, 2012, the date of the most recent VA data for the number of veterans by state. To reiterate, the State of South Carolina operates 516 such beds. Such calculations suppose an unmet need of 538 beds.

### South Carolina's Veteran Population

Total:	421,525
Wartime Veterans:	318,951
Gulf War:	134,392
Vietnam Era:	142,290
Korean Conflict:	38,791
World War II:	19,986
Peacetime:	102,573
Female:	44,881
Male:	376,644

According to Appendix D – South Carolina Homeless Point in Time Count 2013 Results, “Of the 5,005 adults identified on the single night – 596 (12%) reported that they were veterans. Of those identifying as veterans, about 9% (51) were female.”

Notwithstanding the information cited above related to the unmet need quantified in number of beds, observations of homelessness among Veterans, alone, support the need for domiciliary care.

Given that 52% in that survey reported being unsheltered and another 25% reported being in emergency shelter, it is highly likely that some portion of those that self-identified as Veterans were also either unsheltered or in emergency shelter, a temporary housing solution. It is unlikely, but possible, that the 596 Veterans all fell into the only other housing status option of “transitional housing,” of which there were 1,384 in the absolute.

Note that Appendix D was not analyzed to determine the highest geographic concentration of homeless people in the State – assuming that such generalizations could be applied to the Veteran population specifically, and thereby produce a likely geographic site location for a domiciliary that would serve the highest number of Veterans without placing them at too great a distance from their home community. Further data mining could be performed to ascertain said information if it were thought to be helpful.

**NEW CONSTRUCTION OF DOMICILIARIES**

According to a VA representative, as of July 2013, domiciliary projects were in process in North Carolina and Alabama, but neither project had begun serving residents.

As of August 2013, the project in Birmingham, Alabama has opened and is admitting Veterans. It is an 80-bed facility attached to the Colonel Robert L. Howard State Veterans Home in Pell City. Its construction was instituted based on the recommendations of a feasibility study commissioned by the state in 2005.

According to the VA FY2014 Budget Summary, the following grandfathered projects contained domiciliary construction.

State	Description	Total Cost
WY	Expand Domiciliary	\$9.1M
CA	Expand Domiciliary	\$9.8M
OR	Replace Domiciliary	\$9.6M
FL	Build Domiciliary	\$9.9M
WV	Renovate Domiciliary	\$3.7M

**PAYMENT RATE INFORMATION**

In FY2013, the Basic State Home Per Diem Rate for nursing homes was \$97.07. By comparison, the Basic State Home Per Diem Rate for adult day health care was \$77.33 and the Basic State Home Per Diem Rate for domiciliary was \$41.90.

SCDMH’s C.M. Tucker, Jr. Nursing Care Center – Stone Pavilion, Richard M. Campbell Veterans Nursing Home, and Veterans Victory House are facilities that qualify for the Basic State Home Per Diem for nursing homes. The newly-constructed domiciliary facility would qualify for the Basic State Home Per Diem for domiciliary.

*Estimated Revenue*

Generally, the VA reimburses a facility at a rate of half the per bed per day cost to treat a resident, up to a maximum pre-established rate. The maximum pre-established rate is called the Basic State Home Per Diem. For domiciliaries in FY2013, as cited above, the maximum reimbursement rate was \$41.90. Therefore, the State could expect as much as, but no more than, \$41.90 per bed per day from the VA to operate a domiciliary facility presuming the actual cost to the State to operate the facility was at least \$83.80 per resident per day.

Applying said reimbursements to a VA Butler-sized domiciliary, annually, with a 98% occupancy rate for a 56-bed facility, this would amount to \$839,307.28 from the VA which would be used to operate the facility (See formula below). Any additional costs, including management fees associated with the operation of the facility by a private sector entity, would be the obligation of the State.

Formula for Calculating Annual Per Diem Revenue

Factor	Operation	Description
56	x	Total Beds in Facility
365	=	Days in a Year
20,440.0	x	Total Bed Days
98%	=	Occupancy Rate
20,031.2	x	Adjusted Bed Days
\$41.90	=	VA Per Diem Rate
\$839,307.28		VA Payments to State

It is possible that the State of South Carolina could charge a per diem to those Veterans being served in the domiciliary. This practice would not set a precedent as the Veterans in the three nursing homes owned by SCDMH all pay a per diem. However, no assumptions have been made in this study to accommodate such a funding stream.

Estimated Expenses and Estimated Revenue Offset

In order to establish a range of annual expenditures related to the operations of a domiciliary facility, three separate measures were used based on pre-established data: Two Times Per Diem Method; 1980 U.S. Comptroller General Method; and Adjusted HERC Method.

Two Times Per Diem Method

The State could expect as much as, but no more than, \$41.90 per bed per day from the VA to operate a domiciliary facility presuming the actual cost to the State to operate the facility was at least \$83.80 per resident per day.

Utilizing this simple method to estimate the total annual expenditures to operate a domiciliary facility, the following graphic illustrates the calculations.

Expenses and VA Payments for Domiciliary

Factor	Operation	Description
\$83.80	x	Cost Per Bed Day Using Two Times Per Diem
20,440.0	=	Total Bed Days for Domiciliary
<b>\$1,712,872.00</b>		<b>Estimated Cost to Operate Domiciliary</b>
<b>\$839,307.28</b>	=	<b>VA Payments to State</b>
\$873,564.72		Amount Required from State for Operations

Based on the estimates provided above, the cost to operate a 56-bed domiciliary would be approximately \$1,712,872. The State would receive approximately \$839,307 in VA payments for per diem. The remaining \$873,565 would be the obligation of the State.

1981 U.S. Comptroller General Method

Utilizing the report *State Veterans' Homes: Opportunities To Reduce VA And State Costs And Improve Program Management* issued by the United States Comptroller General in October 1981, the purpose of which was to respond to a request from the United States Senate, Committee on Veterans' Affairs, that the CG review selected aspects of the Veterans Administrations State Home Program, the cost to operate a domiciliary facility can be reasonably estimated. Per the report, the average per diem cost across 42 State Homes providing domiciliary care was \$23.74 in FY1980. The per diem costs ranged from

\$12.33 to \$58.79 per bed per day. Adjusting the average per diem cost of \$23.74 for inflation to 2013, the adjusted cost is \$67.29 per bed per day.

The following graphic extrapolates the cost to operate a domiciliary utilizing this rate. Note that this rate does not qualify the domiciliary for the full per diem from the VA because the cost per bed per day is less than the \$83.80 threshold required based on the prevailing rules.

Expenses and VA Payments for Domiciliary

Factor	Operation	Description
\$67.29	x	Cost Per Bed Day Using 1981 U.S. CG Method
20,440.0	=	Total Bed Days for Domiciliary
<b>\$1,375,407.60</b>		<b>Estimated Cost to Operate Domiciliary</b>
<b>\$674,049.88</b>	=	<b>VA Payments to State</b>
\$701,357.72		Amount Required from State for Operations

Based on the estimates provided above, the cost to operate a 56-bed domiciliary would be approximately \$1,375,408. The State would receive approximately \$674,050 in VA payments for per diem. The remaining \$701,358 would be the obligation of the State.

Adjusted HERC Method

Utilizing the report *Determining the Cost of VA Care with the Average Cost Method for the 1993-1997 Fiscal Years* prepared in October 2000 by the VA Health Economics Resource Center (HERC), the purpose of which was to “describe a method of estimating the cost of health care encounters using centralized VA cost and utilization data bases and relative value units obtained from non-VA databases,” the cost to operate a domiciliary facility can be reasonably estimated. Per the report, the median facility cost per day of stay for mental health, rehabilitation, long term care and other inpatient care including overhead costs, specifically for an inpatient domiciliary, was \$120.42 in FY1997 (\$172.54 adjusted for inflation to 2013).

However, based on the 1981 U.S. Comptroller General Report cited above, which indicates that in FY 1980 the cost to provide care in a VA facility was 1.829 times more than the cost to provide the same level of care in a State Veterans Home, the inflation-adjusted \$172.54 calculated above would decrease to \$94.34 cost per day of stay.

The following graphic extrapolates the cost to operate a domiciliary utilizing this rate.

**Expenses and VA Payments for Domiciliary**

Factor	Operation	Description
\$120.42	x	Cost Per Bed Day Per HERC Report
20,440.0	=	Total Bed Days for Domiciliary
\$2,461,384.80	÷	Estimated Cost to Operate Domiciliary in FY97
1.829		Cost Multiplier Attributable to VA
\$1,345,754.40		Adjusted Cost if Operated as a State Home
<b>\$1,958,227.77</b>	-	<b>Cost Adjusted for Inflation to 2013</b>
<b>\$839,307.28</b>	=	<b>VA Payments to State</b>
\$1,118,920.49		Amount Required from State for Operations

Based on the estimates provided above, the cost to operate a 56-bed domiciliary would be approximately \$1,958,227. The State would receive approximately \$839,307 in VA payments for per diem. The remaining \$1,118,920 would be the obligation of the State.

Note that of the three Veterans nursing homes owned by SCDMH, two are managed by a private sector entity. The third, E. Roy Stone, Jr. Veterans Pavilion is not. Therefore, a management fee factor should be considered when comparing the cost to operate Stone Pavilion with the cost to operate a domiciliary should the operations of the domiciliary be outsourced. Again, SCDMH would not set a precedent by outsourcing operations to a private sector entity. However, no assumptions have been made in this study to accommodate such a cost factor. Outsourcing would require the issuance of a Request for Proposal. Vendor responses would determine the actual cost to manage and operate the domiciliary by a private sector entity.

*Conclusion*

Based on the three methods of determining the estimated expenses and estimated revenue offset related to the annual operations of the domiciliary facility, it is anticipated that said expense could range from \$1.4 million to \$2.0 million with an obligation of state appropriations ranging from \$700,000 to \$1.2 million. The corresponding per bed per day rates would range from \$67.29 to \$94.35 for the total annual operations. Note that the per bed per day rates are useful when scaling the project to a bed quantity different than the 56-bed facility used in these calculations.

By comparison, the most recently reported per bed per day rates (extrapolated) for a sample of existing domiciliaries is provided below. The comparison of these rates to the anticipated per bed per day cost of the proposed facilities offers assurance that the estimated costs provided herein are reasonable.

Ohio Veterans Home – Sandusky	\$61.59
Robert H. Jenkins, Jr. – Florida	\$70.00
Colorado Veterans Center – Homelake	\$79.80

**REGULATORY AND ACCREDITATION**

It is expected that the domiciliary facility will be surveyed by the South Carolina Department of Health and Environmental Control (SCDHEC), the Veterans Administration (VA) and other regulatory bodies.

Accreditation would be initiated with either the Commission on Accreditation of Rehabilitation Facilities (CARF) or Joint Commission (JC).

**POSSIBLE SITE LOCATIONS**

As options are set forth for possible site locations for the construction of a domiciliary, one element is a critical component to the establishment of such a facility: adequate acute care and clinic resources must be available to the residents of the domiciliary. These resources may be local or provided through the VA, but they must exist before construction is considered at any possible site location.

It has been determined that for each of the designated possible site locations, either local or VA resources are available to accommodate the acute care and clinic needs of the Veterans that would be housed in the domiciliary. Specifically, John M. Fewell Pavilion could utilize the William Jennings Bryan Dorn VA Medical Center and Richard M. Campbell Veterans Nursing Home could utilize the Anderson VA Outpatient Clinic. Veterans Victory House would utilize local resources.

**C.M. Tucker, Jr., Nursing Care Center**

Tucker Center is an intermediate and skilled long-term care facility. It is licensed by the state of South Carolina, dually-certified by the Centers for Medicare/Medicaid and is accredited by The Joint Commission. It comprises two nursing homes, Roddey Pavilion and E. Roy Stone, Jr. Veterans Pavilion. A third pavilion exists, John M. Fewell Pavilion, that under current regulations could function as a 100-bed facility, but that is not currently in operations.



Roddey Pavilion

Roddey Pavilion provides care to residents from around the state. Referral sources include hospitals, family members, service agencies, and other nursing homes.

Stone Pavilion provides long-term nursing care for South Carolina veterans and is additionally certified by the VA. Residents are admitted from across the state. Referral sources include the VA, hospitals, family members, service agencies, and other nursing homes.



Stone Pavilion

#### *Retrofit an Existing Facility*

It is possible that a domiciliary could be established at John M. Fewell Pavilion. It is an existing facility with an existing physical plant. The facility would need to be retrofitted to resemble the style of a domiciliary care facility and that is a cost that has yet to be determined. An architectural and engineering review would need to be performed to determine the best use of the available footprint. While the existence of a facility not currently in use would seem the best option for establishment of a new project, the plans for said new project will be limited by the physical structure already in place. This construction approach assumes that a nursing home facility can easily be transformed into a domiciliary care facility.

#### **Richard M. Campbell Veterans Nursing Home**



Campbell

Campbell is a VA-certified nursing care facility. It admits eligible veterans from across the state and is operated by an independent health care contractor. Referral sources include the VA, hospitals, family members, service agencies, and other nursing homes.

#### *Build a New Facility*

Richard M. Campbell Veterans Nursing Home could be the site for construction of a new domiciliary care facility. Determinations would be required to ensure that the acreage currently available would accommodate the footprint of such a facility. As Campbell does not have the physical plant to service such a new facility, the construction of a domiciliary in this location would require the complete construction of a free-standing, self-sustaining facility with little, or no, economies of scale realized through the balancing of resources between the two facilities.

#### **Veterans Victory House**



VVH

Veterans Victory House (VVH) is a VA-certified nursing care facility.

It admits eligible veterans from across the state and is operated by an independent health care contractor. Referral sources include the VA, hospitals, family members, service agencies, and other nursing homes.

#### *Build a New Facility*

Veterans Victory House could be the site for construction of a new domiciliary care facility. When the design plans were drafted for VVH, they included a footprint for a domiciliary. VVH was built with configurations that include not only a location for a domiciliary care facility, but the physical plant capacities to service a domiciliary without the need for expansion or new construction related thereto. While the domiciliary would be free-standing, it would not

need to be self-sustaining as it would borrow from, and balance with, VVH the resources with which VVH is already equipped.

### **An Undetermined Site**

#### *Build a New Facility*

It is possible that a domiciliary care facility could be built at some yet-to-be-determined location within the State of South Carolina. Such construction would require the complete establishment of a free-standing, self-sustaining facility. It would also require the identification of suitable land resources and many of the other requirements set forth in the 1998 Committee Report, such as:

- A minimum number of acres (to be determined).
- Good accessibility to major highway arteries in the area.
- Proper zoning with existing facilities (water, sewer, electricity, etc.).
- Aesthetically pleasing views with trees and adequate green space for outdoor activities.
- Single story construction for accessibility and safety.
- Visibility and locality in a neighborhood where adjacent properties do not detract from the VA mission.
- Hazard-free environments.

This option is the least optimal of the four in that it requires the identification of a suitable site as well as the other elements that it holds in common with those sites whose physical footprint would already be established.

### **An Assessment from SCDMH Physical Plant Services**

Upon review of an initial draft of this feasibility study, SCDMH Physical Plant Services provided the following details that should be considered in advancing this project.

- Veterans Victory House is the best choice as it encompasses all the necessary components for the construction.
- The footprint area of the proposed construction of Veterans Victory House, physical plant chillers, boilers, and electrical distributions, and storm water systems remained sized for the addition of the domiciliary at a later date.
- Based on intimate knowledge of all locations, the advantages of Veterans Victory House make it the logical choice.

- If the construction is deemed necessary for another location in the State, a minimum of 4 to 5 acres must be designated, as storm water and parking requirements generally require the site to be far larger than the basic footprint of the building area, which would be approximately 1 acre.
- The proposed new construction could be finished in 12 to 15 months; however, this would not include design time of a minimum of 6 to 8 months and the application time require to meet the expectations of the VA.

### **CONCLUSION**

Based on the information gathered during the preparation of this feasibility study for consideration for the establishment of a State Veterans' domiciliary facility, staff at the South Carolina Department of Mental Health believes construction of a 60-bed domiciliary facility is desirable and feasible:

- Adequate funding for construction is available. Sufficient funds were appropriated by the General Assembly during the FY2013-2014 budgetary cycle to serve as match for Federal funds – the total of which surpasses the expected need.
- Funding for operations is would need to be appropriated. While the State of South Carolina must appropriate funds to operate said domiciliary facility, VA funds are available to offset the care and maintenance of the Veterans utilizing the facility at the rate of the lessor of 50% of the cost per bed per day or \$41.90 per bed per day.
- While no formula is available to use to predict the optimal number of beds, apparent demand from the ratios set forth in this report would dictate that at least 60 beds are necessary to accommodate the unmet need.
- Three existing sites are readily available to the South Carolina Department of Mental Health with only the need to determine which affords the best return on investment for such a project. All three sites are owned by the Department and could be appropriate for said project with much ease. While site determinations are needed to ensure the best placement of a domiciliary facility, preliminary reviews indicate that of the existing facilities, Veterans Victory House is the optimal site location.

## **OTHER INFORMATION**

### *Additional Information*

Additional information related to this topic can be found at the following internet addresses.

MH RRTP Handbook:

[http://www.va.gov/vhapublications/ViewPublication.asp?pub\\_ID=2354](http://www.va.gov/vhapublications/ViewPublication.asp?pub_ID=2354)

Definitions of MH RRTPs:

[http://www.va.gov/HOMELESS/docs/DCHV\\_Definitions\\_of\\_MHRRTPs.pdf](http://www.va.gov/HOMELESS/docs/DCHV_Definitions_of_MHRRTPs.pdf)

### *Program Contact Information*

Program staff for the Domiciliary Care for Homeless Veterans Program is as follows.

Jamie Ploppert, National Director, MH RRTP  
757-722-9961 ext. 1123

Jennifer Burden, Deputy Director, MH RRTP  
540-982-2463 ext. 3739

Camilla Doctor, Program Specialist, MH RRTP  
757-722-9961 ext. 3624

## **FINAL NOTES**

It should be noted that much of the information in this feasibility study has been extracted from documents, web pages, and other sources, either from the Veterans Administration, or other domiciliary-related programs. Except for any information specific to the South Carolina Department of Mental Health and any conclusions offered herein, it should be concluded that any other information is an assimilation of various reliable sources.

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